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FM AMEMBASSY MANAMA
TO RUEHC/SECSTATE WASHDC PRIORITY 7065
INFO RUEHEG/AMEMBASSY CAIRO PRIORITY 0957
RUEHUNV/USMISSION UNVIE VIENNA PRIORITY 0006
RUCNDT/USMISSION USUN NEW YORK PRIORITY 0091
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY

C O N F I D E N T I A L MANAMA 000692

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ISN, T, NEA/ARP, EEB
ABU DHABI FOR TREASATT JBEAL
CAIRO FOR TREASATT CSEVERENS

E.O. 12958: DECL: 07/22/2017
TAGS: [KNNP](#) [MNUC](#) [ECON](#) [PARM](#) [IR](#) [BA](#) [REGION](#)
SUBJECT: DEMARCHE: CONCERN OVER BANKING ISSUES

REF: A. MANAMA 675
[1](#)B. STATE 98419

Classified By: Ambassador William T. Monroe, reasons 1.4(b) and (d).

IRANIAN BANK DEAL PENDING

[1](#)1. (C) Central Bank of Bahrain (CBB) Banking Supervision Advisor to the Governor Richard Ellis told Econoff July 22 that Ahli United Bank (AUB) of Bahrain has applied for approval to "purchase an Iranian bank". He said the Iranian bank in question is wholly or largely state-owned, though he declined to explicitly name the institution. He said that the prospective joint venture to open a "future bank" in the Iranian Kish Island Free Zone, described in subject demarche (Ref. B), was "very relevant" to matters currently under CBB review. (Note: Future Bank, based in Bahrain, is owned 1/3 each by AUB, Bank Saderat and Bank Melli. End Note.)

[1](#)2. (C) Ellis said that Ahli and the Iranian bank had already undergone due diligence and that, from a purely financial standpoint, the deal could be approved. However, he said that his office had advised CBB Governor Rashid Al Miraj on July 17 that the deal called for careful consideration because it might foreseeably jeopardize Bahrain's future standing as a financial jurisdiction. There was no way of knowing if the Iranian bank would come under UN sanctions in the future. He also recommended that the Governor be mindful of "political considerations". Ellis said Governor Miraj had referred the bank purchase to Prime Minister Shaikh Khalifa Bin Salman for a decision. (Note: The PM, as Chairman of the CBB, has final authority over all decisions taken by the CBB. End Note.) Ellis said word of the PM's decision might come "an hour from now or a month from now." In the event that the purchase is approved, Ellis said he would still counsel AUB officials to regularly reevaluate their relationship with Iranian banks and be prepared to divest upon indications that the relationship was no longer in their interest.

QATARIS BID FOR AHLI UNITED

[1](#)3. (C) Ellis pointed out that AUB, itself, may soon be sold. The bank's profits have soared in recent months, and Ellis said shareholders have expressed an interest in cashing out. He added that as the bank's value has increased steeply, so have its operating expenses. Ellis said the International Bank of Qatar, one of four interested bidders, could soon

acquire 75% or more of AUB. (Note: Local press reports place the International Bank of Qatar's offer at \$6.1 billion in cash and stock for a 55% stake in AUB. End Note.) AUB is currently held by: United Bank of Kuwait 32%, Strategic Partners (group of private GCC investors) 32%, Tamdeen (Kuwaiti firm) 13%, and Bahrain Social Security 10%. The remaining 13% of shares are publicly traded.

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